22nd October 2014

DEVELOPMENT SECURITIES PLC - INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31st August 2014
High level of activity across portfolio generates strong gains, with further momentum established

Development Securities PLC ("Development Securities" or the "Company"), the leading property development and investment company today announces its interim results for the six months ended 31st August 2014.

Highlights

Financial

- Profit before tax and exceptional items* of £18.0 million (31st August 2013: £8.1 million)
- Basic NAV increased by £15.2 million (4.7 per cent increase) to £335.5 million, equivalent to 269 pence per share (28th February 2014: £320.3 million, 262 pence per share)
- £18.2 million of development and trading gains (31st August 2013: £13.3 million)
- £4.1 million (2.6 per cent) increase in value of investment portfolio (31st August 2013: £1.0 million decrease)
- Interim dividend of 2.4 pence per share declared (31st August 2013: 2.4 pence per share)

Corporate

- Acquisition of Cathedral Group:
  - Brings additional expertise to the Group
  - Adds 9 new projects to our pipeline
- Strong deal flow since 28th February 2014 to recycle capital into new projects:
  - 11 disposals - £127.2 million
  - 11 acquisitions - £179.4 million

Commenting on these results, Chief Executive Michael Marx said:

"We have maintained a remarkable level of activity since 28th February 2014 as we have continued to recycle cash realised from profitable disposals into new acquisitions in both our development and investment portfolios. We have an established and diversified pipeline of projects with good visibility on strong returns in the years ahead. The acquisition of Cathedral Group in May 2014 represents a significant step for your Company, adding to our portfolio and our capabilities in mixed-use regeneration projects in Greater London and the South East. This strategic acquisition will increase our capacity and potential to generate greater levels of profitability. Looking ahead, we are confident that the momentum we have established in our development and trading activity will deliver significant returns in the near- to medium-term."

Financial summary:
unaudited for the six months ended 31st August 2014

	31st August 2014 unaudited £ million	31st August 2013 unaudited £ million	28th February 2014 audited £ million
Profit before income tax and exceptional items*	18.0	8.1	19.5
Profit before income tax	7.4	8.1	19.5
Net assets attributable to Shareholders	335.5	312.6	320.3
EPRA adjusted net assets	335.4	320.5	328.3
Net debt**	(150.7)	(143.0)	(153.8)
Basic and diluted earnings per share (pence)	6.7	5.9	14.9
Basic net assets per share*** (pence)	269	255	262
EPRA adjusted net assets per share*** (pence)	269	262	269
Dividends declared per share** (pence)	2.4	2.4	5.6

* Refer note 3
** Refer notes 12 and 20
*** Refer note 20

For further enquiries:
Michael Marx/Marcus Shepherd/Lucy Grimble
Development Securities PLC 020 7828 4777

Chairman's statement

It is pleasing to report a profit before tax and exceptional items of £18.0 million for the six months to 31st August 2014 (31st August 2013: £8.1 million). Exceptional items, which totalled £10.6 million, relate to the termination of a cross currency interest rate swap and the costs relating to the acquisition of Cathedral Group. After payment of the 2014 final dividend of £4.0 million, net assets attributable to shareholders increased in the period by £15.2 million to £335.5 million, equivalent to 269 pence per share (28th February 2014: £320.3 million, 262 pence per share).

The increase in our underlying profitability and net assets has largely been driven by the continued strong delivery of development and trading profits from across our multi project portfolio which is largely concentrated in Greater London and the South East. Gains of £18.2 million were realised in the six month period (31st August 2013: £13.3 million). We remain confident that significant gains will continue to be generated in the second half of the financial year and beyond.

The Directors have declared an interim dividend of 2.4 pence per share, payable on 27th November 2014 to Shareholders on the register on 31st October 2014.

Market overview

The UK economy continues to strengthen with a consensus expectation that GDP growth this year will reach three per cent or more. As a consequence, investor confidence is growing to encompass regions outside of London, with business activity anticipated to improve across the country. London and the South East are showing significant employment growth which is expected to continue into the medium-term, but some regions are finding it difficult to balance out shrinking employment, predominantly in the public sector. It remains to be seen whether the UK's excellent recent economic growth can translate into improved productivity thus enabling a more sustained cyclical recovery.

Within the property sector, improved investor demand has continued to apply downward pressure on prime and now more noticeably on secondary investment property yields. It would seem that there is momentum for the yield differential between the two to narrow further as investor activity increases outside of London, attracted by the higher returns available in these markets. Your company is benefitting further from the strong economic growth apparent in our major markets within Greater London and the South East of England and it is pleasing to report a £5.3 million increase in the value of our investment portfolio, including our share of joint ventures, over the first six months of the year. We expect these gains to improve during the remainder of the financial year.

Given the size of the geographical area and the relatively high number of opportunities available to us, we remain able to acquire assets on advantageous terms and reposition them into strengthening markets, thus realising significant value.

Major developments

We continue to focus on development opportunities on the edge of Central London which have benefitted from rental pricing pressure pushing out from London's traditional core business districts, as occupier and investment markets in Central London continue to strengthen. We were pleased to fully let 10 Hammersmith Grove, a 110,000 sq. ft. prime office development, during the period, just over a year since practical completion was achieved. Taking into account yield shifts and achieved rental values, the capital value per sq. ft. at 10 Hammersmith Grove is 39.0 per cent ahead of our pro-forma expectations. We are confident that the improving market will similarly reflect itself at 12 Hammersmith Grove, where we are under construction having secured £92.0 million of funding from SWIP Property Trust in April this year. The second phase of our development, which will provide a further 167,000 sq. ft. of grade A office space, is due for practical completion in Q1 2016.

At Harwell, alongside our joint venture partner Prorsus and two Government-backed research agencies, we are progressing the masterplan for the 700 acre site. This will significantly expand the international science campus, providing state of the art buildings for commercial science organisations and research bodies for whom proximity to the 'Big Science' at Harwell offers competitive advantage. These facilities will be contained within a new mixed-use community to include several hundred dwellings.

At Algarve House, a derelict office building adjacent to Southwark underground station, we are currently progressing the masterplan for a mixed-use development having secured an option on the site last year. We are close to signing an agreement with an adjoining land owner to include their site in a co-ordinated planning application totalling circa 225,000 sq. ft.

Development and trading portfolio

Disposals

In October, we completed the sale of the fourth asset within the portfolio of five North London office buildings which was acquired for £17.5 million in February 2014, thus realising a profit to date of £6.2 million. The strength of demand for these properties far exceeded our original expectations.

In October, we sold the majority of our mixed-use development in Romford to Henderson Global Investors for £12.3 million at a 7.0 per cent yield. The entire mixed-use development was acquired for £8.3 million from administrators acting on behalf of Lloyds Banking Group in July 2013. The remaining building within the development, Tollgate House, comprising 10,600 sq. ft. of office and retail space, is currently being marketed for sale.

New opportunities

In April, Development Securities formed a partnership with Deeley Freed, a leading Bristol-based developer, providing medium-term finance of £8.5 million to enable our partner to bring forward the delivery of its existing pipeline of development projects. Good progress has been made to date on this portfolio of projects which embrace both residential and retail product. It is anticipated that Deeley Freed will secure an exit from these pipeline projects within the next three years, with gains set to be realised from the end of 2014.

Funding

During the period, we secured institutional funding to bring forward the development of two significant mixed-use regeneration projects. In March, we secured £44.1 million of funding from Pramerica Real Estate Investors for the first phase of development at Shepherd's Bush Market, a significant mixed-use regeneration scheme in West London. We are now on site undertaking the renovation of the market which will significantly improve its physical quality, infrastructure and retail offer. In October, the Compulsory Purchase Order in respect of a number of retail units and service roads that occupy part of the site, was confirmed by the Secretary of State. This positive outcome will allow us to now progress with the works to the market and the development of up to 211 residential units. We anticipate starting on site with the first phase of residential development in Q1 2015.

In April, we signed a £14.8 million agreement with CBRE Global Investors to fund the development of The Square, Hale Barns, a foodstore-anchored mixed-use retail and residential project in an affluent Manchester suburb. The 24 apartments within the scheme were launched for sale at the end of September, with strong interest to date and six apartments now under offer or exchanged. Construction of the entire scheme is anticipated to complete by the end of 2014.

Investment portfolio

Disposals

With demand for good quality, regional secondary assets strengthening, we have continued to dispose of investment assets within our portfolio where our business plan is now complete. In March, we sold a Waitrose-anchored retail scheme in Winchester for £23.3 million. In April, we completed the sale of a portfolio of four investment assets for £21.0 million. We have been seeking to carefully reinvest the proceeds of these disposals, with a focus on foodstore-anchored retail schemes and alternative investment assets which offer stable income streams and the potential for asset enhancement or redevelopment in order to drive additional value.

Acquisitions

In June, together with our partner Proprium Capital Partners, we acquired the long leasehold interest in a 146,000 sq. ft. office building in Waterloo for £87.0 million, at a 5.1 per cent net initial yield. The property has a twelve year unexpired lease to Ernst & Young, in turn assigned to Canary Wharf Group, representing a significant investment proposition with a number of redevelopment options in the medium-term.

Enhancing our portfolio of foodstore-anchored retail schemes, we acquired The Mall Shopping Centre in Armagh, Northern Ireland for £7.4 million at a net initial yield of 9.4 per cent. This covered shopping mall is anchored by a 49,000 sq. ft. Sainsbury's foodstore with an additional 12,000 sq. ft. of retail space let to local and national retailers. Vacancy rates are low at 4.4 per cent and the shopping centre offers asset enhancement opportunities with the potential for further development on site.

In August, in Chippenham, an affluent market town 30 miles from Bristol, we acquired a popular local shopping centre anchored by Waitrose and New Look for £16.3 million at a 7.0 per cent yield. The 82,000 sq. ft. shopping centre is fully let to a range of national multiples including Waterstones, Argos and Café Nero.

In Sidcup, South East of London, we acquired the 82-year leasehold interest in a 22-acre site for £2.2 million at a 7.3 per cent yield. The site is occupied by World of Golf, a golf driving range operator, on a twenty-year lease and presents several redevelopment options in the medium to long-term.

Whilst we seek to acquire further investment assets, we are pleased with the progress we have made to strengthen the quality of our investment portfolio whilst at the same time acquiring assets which offer some upside added value potential through active asset management.

Cathedral Group

In May, we completed the acquisition of Cathedral Group, a leading UK mixed-use regeneration developer, for £22.9 million. The acquisition has added nine projects in Greater London and the South East to our portfolio, representing over five million sq. ft. of residential-led mixed-use development. The 27-strong Cathedral Group team, brings with it considerable development expertise notably in the Public Private Partnership (PPP) and residential sectors and broadens our capacity to deliver existing and new projects. PPP projects provide a niche area of development activity in partnership with local authorities, with low land and acquisition costs and significant upside potential. The market has not insignificant barriers to entry and is strengthening given current political pressure to increase employment and provide housing through the development and sale of public land. Cathedral's pipeline of suburban London and regional South East PPP projects extends to in excess of £400 million of development activity. The residential expertise contained within Cathedral also gives us greater optionality with respect to unlocking further profit potential from our pre-existing residential land bank of circa 10,000 residential units within our various mixed-use projects. These projects deliver residential product in the mid-market pricing range of £350-£800 per sq. ft. and so respond to significant consumer demand.

Even in the short period since May, Cathedral has achieved a number of significant milestones within its portfolio. At Preston Barracks, contracts have been exchanged with Brighton and Hove Council and the University of Brighton to bring forward a £150 million mixed-use regeneration scheme on a 2.2 hectare site. In September, also in Brighton, Cathedral obtained Resolution to Grant planning for a £100 million mixed-use regeneration scheme, Circus Street. Construction on the site is anticipated to commence in Q2 2015.

In August, at The Old Vinyl Factory, formerly a joint venture project between ourselves and Cathedral Group, we sold two of the residential sites for £7.9 million which together have planning consent for 213 homes. These disposals unlock the next phase of development at this 17-acre, £250 million regeneration site in close proximity to the Crossrail station at Hayes and Hillingdon.

Dublin

Our activities in Dublin have expanded during the period and we have now secured a number of both commercial and residential opportunities where we can apply our development expertise. We feel that the timing of our entry into this market is good, building on our significant investment in both time and effort to raise our profile and contact base in Dublin over recent years.

In June, together with two local partners, we acquired a 1.7 acre development site for €40.5million on Burlington Road, a prime office location in Dublin city centre. The site has planning permission for 160,000 sq. ft. of office accommodation. The development at Burlington Road will build on our track record as an experienced commercial office developer and allow us to further strengthen our presence within Dublin by delivering grade A space into a market with limited supply and strong demand.

In July, we acquired the freehold interest in 85 residential units and a 9-acre residential development site in Malahide, near Dublin for €36.0 million. The 85 units are currently 98 per cent let on assured shorthold tenancies, generating a net yield of 5.5 per cent and offer opportunities for further asset management and enhancement in order to add value. The 9-acre development site benefits from an existing planning consent for 154 residential units.

Finance

In March, we restructured our €47.0 million floating rate loan notes and associated hedging and cash collateralisation arrangements, shortening the maturity of the loan from 13 to seven years. This has reduced our combined interest, hedging and transaction costs by £0.8 million per annum. The restructure will be finance cost neutral in the year to February 2015 as previously capitalised costs have been written off, with annual savings of £0.8 million delivered thereafter. The loan restructure released cash collateral of £9.5 million. The renegotiation of the terms of these loan notes has helped to increase the efficiency of our Balance Sheet and reduce our overall finance costs as well as releasing capital to reinvest into further opportunities.

Board

Following the acquisition of Cathedral Group, in May we were very pleased to welcome to our Board Richard Upton as an Executive Director and Barry Bennett as a Non-Executive Director. Both were previously Directors of Cathedral Group and are property developers with considerable experience, especially in the sectors of Public Private Partnership and house building.

Outlook

The UK economy has gathered quite some speed over the last twelve months or so and has accelerated past its historic trend rate of GDP growth. We believe there is sufficient momentum in the underlying fundamentals supporting the London and South East economy to justify our optimism that the strategy we are pursuing will create further considerable value in the near- and medium-term for your Company. In addition, the acquisition of Cathedral Group has broadened our skill set to exploit the opportunities that will inevitably arise given the strength of the UK economy.

The work involved in managing our diversified portfolio of over 50 projects is significant, and I am indebted to our executive and management teams for their continuing professionalism and expertise.

D S Jenkins
Chairman

Financial review

Profit before tax and exceptional items for the six months to 31st August 2014 was £18.0 million (31st August 2013: £8.1 million) reflecting the continued improvement in the underlying financial performance of the business. Exceptional items for the period comprise the costs associated with the acquisition of Cathedral Group of £2.7 million and the termination costs of the cross currency interest rate swap, totalling £7.9 million, relating to the Euro denominated loan notes that we restructured in March 2014. In addition to this exceptional charge, it should be noted that the unwinding of this swap also generated a credit of £7.6 million in Other comprehensive income resulting in the overall impact being broadly neutral to net asset value at 31st August 2014.

Net assets attributable to shareholders increased by £15.2 million to £335.5 million (28th February 2014: £320.3 million). This increase reflects our total comprehensive income for the period of £13.2 million, the proceeds from the issue of new shares of £6.0 million as part of the Cathedral Group acquisition and the payment of the final dividend from the previous financial year of £4.0 million.

The successful restructure of the Euro denominated loan notes and related hedging arrangements mean that the Group no longer has any material mark-to-mark deficits on interest rate swaps. As a consequence there is no longer a significant difference between net assets attributable to shareholders and EPRA adjusted net assets. In calculating EPRA adjusted triple net assets, no estimate has been included of the fair value of the development and trading portfolio given the uncertainty of the timing and the amount related to future sales of these assets. Gains are thus only recognised through the income statement as they become contractually certain. Gains from development and trading operations were £18.2 million as realisations continued in line with our strategy (31st August 2013: £13.3 million). These were generated both from direct real estate holdings, amounting to £16.7 million recognised within gross profit, and also from indirect holdings.

Net revaluation of our investment assets, including those within our share of joint ventures, was an increase of £5.3 million. This comprised: increased revaluations in our directly held property portfolio of £4.2 million (31st August 2013: £1.0 million loss); and a revaluation uplift of £1.1 million in respect of our assets held in joint venture (31st August 2013: £1.5 million).

Net finance costs, before exceptional items, are £2.7 million (31st August 2013: £5.1 million) which equates to £3.6 million after allowing for the £0.9 million return on one of our development and trading projects where we have invested by way of loan notes and the return is included in interest income. Interest income also includes a foreign exchange gain of £1.4 million relating to our restructured Euro denominated loan notes, where we have benefited from a fall in the value of the Euro during the period. In addition, the re-structured loan notes have an effective cost of 4.9 per cent per annum and a seven year maturity, reducing finance costs annually by £0.8 million.

During the period we have secured new bank finance of £57.0 million from Royal Bank of Scotland Plc in respect of the acquisition of Becket House in joint venture with Proprium Capital Partners. Additionally we have entered into a €24.3 million facility with Allied Irish Bank for the acquisition of our site at Malahide. We continue to actively manage our relationships with our key funding partners as well as seeking new sources of debt to manage our exposure to any particular funder.

Net debt as at 31st August was £150.7 million, representing gearing of 44.9 per cent (28th February 2014: £153.8 million and 48.0 per cent). In addition our share of net debt in joint ventures increased to £42.4 million, increasing our effective gearing to 57.5 per cent (28th February 2014: 56.8 per cent). The weighted average maturity of our debt is 5.7 years, with a weighted average interest rate of 5.1 per cent. The proportion of our portfolio which is subject to fixed interest rates has reduced to 60.0 per cent, principally as a result of restructuring the Euro denominated loan notes. If our share of debt in joint ventures is included, weighted average maturity is 5.4 years, the average interest rate is 5.4 per cent, and the proportion of fixed rate debt is 57.3 per cent.

Our Annual Report to 28th February 2014 describes our risk profile and our approach to managing our principal risks. These principal risks remain unchanged as at 31st August 2014. With regard to the second half of the year, whilst acknowledging the continuing economic recovery, the Board remains cautious in its view of UK macro-economic prospects, as set out in the Chairman’s Statement. We maintain a strong focus on potential tenant defaults and other counterparty risks.

Portfolio analysis

Tenant profile		
1	FTSE 100	0.8%
2	Government	1.1%
3	PLC/Nationals	55.4%
4	Regional Multiples	19.3%
5	Local Traders	23.4%

Location profile		
1	London	2.6%
2	South East	38.8%
3	South West	33.2%
4	Midlands	4.5%
5	North	9.1%
6	Wales	7.5%
7	Ireland	4.3%

Lease profile		
1	0-5 years	31.9%
2	5-10 years	41.8%
3	10-15 years	10.1%
4	15-20 years	3.7%
5	20 years+	12.5%

Analysis by sector		
1	Retail	76.7%
2	Office	5.0%
3	Mixed	9.3%
4	Industrial	5.0%
5	Residential	4.0%

Income generating properties as at 31st August 2014

Top five occupiers		**31st August 2014**
	Annual rent £'m	% of contracted rent
Waitrose	1.5	11.1
J Sainsbury Plc	0.5	3.6
Sports World	0.3	2.5
99p Stores	0.3	2.1
Springhealth Leisure Ltd.	0.3	1.9

Top five occupiers		**28th February 2014**
	Annual rent £'m	% of contracted rent
Waitrose	2.1	14.6
Primark Stores	0.5	3.5
Sports World	0.5	3.4
Martin McColl	0.5	3.3
Trillium Secretary of State	0.3	2.4

Income generating properties – Like-for-like rental income received **31st August 2014**

	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	5.3	0.4	0.5	6.2
Development and trading properties	0.7	1.5	0.2	2.4
Joint ventures	0.7	0.8	0.1	1.6
	6.7	2.7	0.8	10.2

31st August 2013

	Properties owned throughout the period £ million	Acquisitions £ million	Disposals £ million	Total net rental income £ million
Investment properties	5.2	–	2.5	7.7
Development and trading properties	0.9	0.2	0.6	1.7
Joint ventures	0.7	–	1.1	1.8
	6.8	0.2	4.2	11.2

Investment property – key statistics

	Portfolio value £ million	Contracted rent £ million	Number of assets held No.	New lettings in period £ million/ '000 sq.ft.	Initial yield in period* %	Equivalent yield* %	Voids* %	Rate of rent collections within 30 days %
31st August 2014	184.2	13.7	37	£0.5m/52 sq.ft.	7.6	7.7	7.0	92.4
28th February 2014	202.1	14.1	42	£0.4m/35 sq.ft.	7.2	7.7	6.3	98.7
31st August 2013	208.0	15.4	42	£0.4m/21 sq.ft.	7.5	7.8	6.3	95.3

* Based on the core investment property assets only.

Consolidated statement of comprehensive income unaudited for the six months ended 31st August 2014

	Notes	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 audited £ million
Revenue	2	**92.4**	32.5	79.3
Direct costs	2	**(71.2)**	(15.6)	(51.5)
Gross profit	2	**21.2**	16.9	27.8
Operating costs	2	**(7.2)**	(6.5)	(14.0)
Gain/(loss) on disposal of investment properties	2	**0.8**	(0.6)	0.5
Gain/(loss) on revaluation of property portfolio	2	**4.2**	(1.0)	3.1
Operating profit		**19.0**	8.8	17.4
Other income	2	**–**	0.3	0.5
Exceptional item - Acquisition costs associated with business combination	3	**(2.7)**	–	–
Share of post-tax profits of joint ventures	11	**1.3**	4.0	12.8
Profit on sale of joint venture	2	**0.5**	–	–
(Loss)/gain from sale of investment	2	**(0.1)**	0.1	(0.2)
Profit before interest and income tax	2	**18.0**	13.2	30.5
Finance income	4	**3.6**	1.5	2.5
Finance costs	4	**(6.3)**	(6.6)	(13.5)
Exceptional item - Termination of cross currency interest rate swap	3	**(7.9)**	–	–
Profit before income tax		**7.4**	8.1	19.5
Income tax	5	**0.9**	(0.9)	(1.3)
Profit after income tax for the period		**8.3**	7.2	18.2
Profit attributable to:				
Owners of the parent		**8.2**	7.2	18.2
Non-controlling interest		**0.1**	–	–
		8.3	7.2	18.2
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Profit for the period		**8.3**	7.2	18.2
Termination of cross currency interest rate swap		**7.6**	–	–
Gain on valuation of cross-currency interest rate swap		**–**	2.2	1.8
Currency translation differences - Group		**(0.2)**	–	(0.1)
Deferred income tax charge	5	**(2.4)**	(0.5)	(0.4)
Total comprehensive income for the period		**13.3**	8.9	19.5
Attributable to:				
Owners of the parent		**13.2**	8.9	19.5
Non-controlling interest		**0.1**	–	–
		13.3	8.9	19.5
Basic earnings per share	7	**6.7p**	5.9p	14.9p
Diluted earnings per share	7	**6.7p**	5.9p	14.9p

Notes 1 to 20 form an integral part of these condensed Consolidated set of financial statements

Consolidated balance sheet
unaudited as at 31st August 2014

	Notes	**31st August 2014** unaudited £ million	**31st August 2013** unaudited £ million	**28th February 2014** audited £ million
Non-current assets				
Direct real estate interests				
Investment properties	8	**184.2**	208.0	159.7
Operating property		**0.8**	0.7	0.7
Trade and other receivables		**6.6**	10.7	7.6
		191.6	219.4	168.0
Indirect real estate interests				
Investments in associates	11	**4.3**	4.3	4.3
Investments in joint ventures	11	**36.8**	45.1	31.8
Intangible assets – goodwill	9	**2.0**	0.2	0.2
Loans to joint operations	11	**26.0**	20.5	19.5
Loans to other real estate businesses		**8.7**	8.6	8.7
		77.8	78.7	64.5
Other non-current assets				
Other plant and equipment		**2.6**	3.0	2.8
Derivative financial instruments		**0.1**	–	–
Deferred income tax assets		**1.0**	0.3	0.4
		3.7	3.3	3.2
Total non-current assets		**273.1**	301.4	235.7
Current assets				
Inventory – development and trading properties	10	**236.8**	169.5	192.5
Other financial assets		**1.7**	1.7	1.7
Trade and other receivables		**34.9**	17.8	40.8
Monies held in restricted accounts and deposits		**39.3**	15.9	27.3
Cash and cash equivalents		**31.5**	53.1	40.0
		344.2	258.0	302.3
Investment properties held for sale		–	–	42.4
Total assets		**617.3**	559.4	580.4
Current liabilities				
Trade and other payables		**(42.3)**	(27.0)	(31.9)
Current income tax liabilities		**(0.5)**	(0.6)	(0.4)
Borrowings	12	**(14.0)**	(14.9)	(24.7)
Provisions for other liabilities and charges	13	**(0.4)**	(0.1)	(0.2)
		(57.2)	(42.6)	(57.2)
Non-current liabilities				
Trade and other payables		**(1.5)**	(3.7)	(1.5)
Borrowings	12	**(207.5)**	(197.1)	(196.4)
Other non-current financial liabilities		**(8.0)**	–	–
Derivative financial instruments		**–**	(0.7)	(2.2)
Deferred income tax liabilities		**(5.1)**	–	–
Provisions for other liabilities and charges	13	**(2.4)**	(2.7)	(2.8)
		(224.5)	(204.2)	(202.9)
Total liabilities		**(281.7)**	(246.8)	(260.1)
Net assets		**335.6**	312.6	320.3
Equity				
Share capital	14	**62.5**	61.2	61.2
Other reserves		**154.7**	145.4	145.0
Retained earnings		**118.3**	106.0	114.1
Equity attributable to the owners of the Parent		**335.5**	312.6	320.3
Non-controlling interests		**0.1**	–	–
Total equity		**335.6**	312.6	320.3
Basic/diluted net assets per share attributable to owners of the Parent	7	**269p/269p**	255p/255p	262p/262p

Notes 1 to 20 form an integral part of these condensed Consolidated set of financial statements.

Consolidated statement of changes in equity unaudited as at 31st August 2014

	Share capital £ million	Other reserves £ million	Retained earnings £ million	Total £ million	Non-controlling interest £ million	Total £ million
At 1st March 2013	61.2	143.7	101.7	306.6	0.1	306.7
Profit for the six months ended 31st August 2013	–	–	7.2	7.2	–	7.2
Other comprehensive income:						
Gain on valuation of cross-currency interest rate swap	–	1.8	–	1.8	–	1.8
Exchange gain on valuation of cross-currency interest rate swap	–	0.4	–	0.4	–	0.4
Deferred income tax charged directly to equity	–	(0.5)	–	(0.5)	–	(0.5)
Total comprehensive profit for the six month period ended 31st August 2013	–	1.7	7.2	8.9	–	8.9
Final dividend relating to 2013	–	–	(2.9)	(2.9)	–	(2.9)
Total contributions by and distributions to owners of the Company	–	–	(2.9)	(2.9)	–	(2.9)
Transactions with non-controlling interest	–	–	–	–	(0.1)	(0.1)
Balance at 31st August 2013	61.2	145.4	106.0	312.6	0.0	312.6
Profit for the six months ended 28th February 2014	–	–	11.0	11.0	–	11.0
Other comprehensive income:						
Loss on valuation of cross-currency interest rate swap	–	(1.7)	–	(1.7)	–	(1.7)
Exchange gain on valuation of cross-currency interest rate swap	–	1.3	–	1.3	–	1.3
Currency translation differences - Group	–	(0.1)	–	(0.1)	–	(0.1)
Deferred income tax credited directly to equity	–	0.1	–	0.1	–	0.1
Total comprehensive income for the six month period ended 28th February 2014	–	(0.4)	11.0	10.6	–	10.6
Interim dividend relating to 2014	–	–	(2.9)	(2.9)	–	(2.9)
Total contributions by and distributions to owners of the Company	–	–	(2.9)	(2.9)	–	(2.9)
Balance at 28th February 2014	61.2	145.0	114.1	320.3	0.0	320.3
Profit for the six months ended 31st August 2014	–	–	8.2	8.2	0.1	8.3
Other comprehensive income:						
Termination of cross currency interest rate swap	–	7.6	–	7.6	–	7.6
Currency translation differences - Group	–	(0.2)	–	(0.2)	–	(0.2)
Deferred income tax charged directly to equity	–	(2.4)	–	(2.4)	–	(2.4)
Total comprehensive income for the six month period ended 31st August 2014	–	5.0	8.2	13.2	0.1	13.3
Proceeds from share issue	1.3	4.7	–	6.0	–	6.0
Final dividend relating to 2014	–	–	(4.0)	(4.0)	–	(4.0)
Total contributions by and distributions to owners of the Company	1.3	4.7	(4.0)	2.0	–	2.0
Balance at 31st August 2014	**62.5**	**154.7**	**118.3**	**335.5**	**0.1**	**335.6**

Notes 1 to 20 form an integral part of these condensed Consolidated set of financial statements.

Consolidated cash flow statement
unaudited for the six months ended 31st August 2014

	Notes	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 audited £ million
Cash flows from operations				
Cash flows used in operating activities	16	**27.3**	(8.4)	(32.5)
Interest paid		**(6.9)**	(6.2)	(12.8)
Income tax paid		**(0.5)**	(0.2)	(0.8)
Net cash generated from/(used in)operating activities		**19.9**	(14.8)	(46.1)
Cash flows from investing activities:				
Interest received		**0.3**	0.2	0.4
Proceeds on disposal of investment properties		**59.8**	15.3	27.7
Purchase of other plant and equipment		**(0.1)**	(0.2)	(0.4)
Purchase of investment properties		**(26.2)**	(0.2)	(10.7)
Acquisition of subsidiaries net of cash acquired		**(12.1)**	–	–
Cash outflow to joint ventures and associates		**(10.7)**	(1.5)	(8.4)
Cash inflow from joint ventures and associates		**1.4**	0.9	33.5
Investment in financial assets		**(10.9)**	(0.9)	(3.0)
Cash inflow from financial assets		**0.9**	5.0	5.0
Net cash (used in)/generated from investing activities		**2.4**	18.6	44.1
Cash flows from financing activities:				
Dividends paid		**(4.0)**	–	(5.8)
Repayments of borrowings		**(80.4)**	(1.5)	(3.3)
New bank loans raised (net of transaction costs)		**59.4**	7.6	19.6
Increase in monies held in restricted accounts and deposits		**(5.5)**	(4.4)	(15.8)
Net cash (used in)/generated from financing activities		**(30.5)**	1.7	(5.3)
Net (decrease)/increase in cash and cash equivalents		**(8.2)**	5.5	(7.3)
Cash and cash equivalents at the beginning of the period		**40.0**	47.7	47.7
Exchange losses on cash and cash equivalents		**(0.3)**	(0.1)	(0.4)
Cash and cash equivalents at the end of the period		**31.5**	53.1	40.0
Cash and cash equivalents comprise:				
Cash at bank and in hand		**31.5**	53.1	40.0
Bank overdrafts		–	–	–
Cash and cash equivalents at the end of the period		**31.5**	53.1	40.0

	Notes	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 Audited £ million
Net debt comprises:				
Monies held in restricted accounts and deposits		**39.3**	15.9	27.3
Cash and cash equivalents		**31.5**	53.1	40.0
Financial liabilities:				
Current borrowings	12	**(14.0)**	(14.9)	(24.7)
Non-current borrowings	12	**(207.5)**	(197.1)	(196.4)
Net debt		**(150.7)**	(143.0)	(153.8)

Notes 1 to 20 form an integral part of these condensed Consolidated set of financial statements.

Notes to the interim financial information
unaudited for the six months ended 31st August 2014

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) General information
The principal activity of Development Securities PLC and its subsidiaries is property investment and development.

The condensed Consolidated financial statements for the six months ended 31st August 2014 comprise the results of the Company and its subsidiaries and were authorised by the Board for issue on 21st October 2014.

The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Portland House, Bressenden Place, London, SW1E 5DS.

The condensed Consolidated financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 28th February 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union, were approved by the board of directors on 30th April 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed Consolidated financial statements have been reviewed, not audited.

b) Basis of preparation of half-year report
These condensed Consolidated financial statements for the six months ended 31st August 2014 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed Consolidated financial statements should be read in conjunction with the Group's financial statements for the year ended 28th February 2014, which have been prepared in accordance with IFRS, as endorsed by the European Union.

Going concern basis
The Group has considerable financial resources. Rental income continues to be robust, with the risk of significant default assessed by the Directors as low. Development and trading activities are well diversified across regions and sectors. Debt finance is secured for appropriate periods and the Group is comfortable with its covenant positions. As a result the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

c) Judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed Consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated financial statements for the year ended 28th February 2014.

d) Accounting policies
The accounting policies applied in these condensed Consolidated financial statements are consistent with those of the Group's financial statements for the year ended 28th February 2014, as described in those financial statements.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption). There are no additional standards or interpretations, other than those disclosed in the Group's financial statements for the year ended 28th February 2014, which are expected to have a material impact on the Group.

The accounting policies adopted are consistent with those of the previous financial year.

e) Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed Consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements as at 28th February 2014.

There have been no changes in risk management or in any risk management policies since the year end.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st August 2014:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	0.1	–	0.1
Available-for-sale financial assets	–	–	26.0	26.0
Total assets	–	0.1	26.0	26.1
Liabilities				
Derivative financial instruments:	–	–	–	–
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Total liabilities	–	–	–	–

The following table presents the Group's assets and liabilities that are measured at fair value at 31st August 2013:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	20.5	20.5
Total assets	–	–	20.5	20.5
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	(0.7)	–	(0.7)
Total liabilities	–	(0.7)	–	(0.7)

The following table presents the Group's assets and liabilities that are measured at fair value at 28th February 2014:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Derivative financial instruments:				
Cross-currency interest rate swap	–	–	–	–
Derivative financial instruments at fair value through profit or loss	–	–	–	–
Available-for-sale financial assets	–	–	19.5	19.5
Total assets	–	–	19.5	19.5
Liabilities				
Derivative financial instruments:				
Cross-currency interest rate swap	–	(1.7)	–	(1.7)
Derivative financial instruments at fair value through profit or loss	–	(0.5)	–	(0.5)
Total liabilities	–	(2.2)	–	(2.2)

In March 2014, the Group re-negotiated the €47.0 million Euro-denominated loan notes and terminated the cross-currency interest rate swap. New hedging arrangements have been put in place which are classified at derivative financial instruments and are fair valued through profit and loss.

Derivative financial instruments at fair value through profit or loss of £0.5 million gain (31st August 2013: gain of £0.7 million and 28th February 2014: gain of £0.9 million) are recorded in Finance income or Finance costs as appropriate in the condensed Consolidated financial statements.

There have been no reclassifications of financial assets during the period.

Level 2 derivative financial instruments and the terminated cross-currency interest rate swap comprise of a number of interest rate swaps and caps and a forward foreign exchange contract. Previously the cross-currency interest rate swap was fair valued using forward exchange rates that were quoted in an active market. Interest rate swaps and caps are valued using forward interest rates extracted from observable yield curves taking account of the risk of default of either counterparty to the financial instrument. The effects of discounting are generally insignificant for level 2 derivatives.

Fair value measurement using significant unobservable inputs (level 3)

	Financial assets at fair value through profit and loss £ million
Opening balance at 1st March 2014	**19.5**
Loans advanced	**11.2**
Settlements	**(4.7)**
Acquisition of Cathedral Holdings Limited	**–**
Losses recognised in profit or loss	**–**
Closing balance 31st August 2014	**26.0**

Opening balance at 1st March 2013	24.2
Loans advanced	1.3
Settlements	(5.0)
Losses recognised in profit or loss	–
Closing balance 31st August 2013	20.5

Total unrealised losses for the period included in profit or loss for assets held at 31st August 2014	**–**
Total unrealised losses for the period included in profit or loss for assets held at 31st August 2013	**–**

A review of the fair value of financial assets is performed at each reporting date with any significant changes in value reported to the Executive Board and Audit Committee. Level 3 assets consist of loans to associates or joint ventures. Each receivable is reviewed as to its recoverability. If recoverability is in doubt an appropriate provision for impairment would be made based on the best estimate of the loan recoverable. The Board have concluded that there are no financial assets recognised where the loan amount is not the best evidence of fair value.

Contingent consideration in a business combination
Details of the valuation and sensitivity of the contingent consideration are disclosed in note 15. The Group had no contingent consideration liabilities at 31st August 2014, 31st August 2013 or 28th February 2014 and there were no transactions in contingent consideration during the year ended 28th February 2014.

Group's valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of Level 3 investment property assets. The valuers liaise with the Investment Team every six months, reviewing tenant information relating to covenant strength, lease period and rental terms. Valuers will also review comparable transactions in the market. The fair value of Level 3 assets is also determined by reviewing local sales data or, where the assets are held for the purpose of extending an existing retail asset, by reviewing appraisals relating to the proposed scheme.

The key unobservable assumptions used in the valuations are:

Valuation technique	Key unobservable input	Range
Income capitalisation	Equivalent yields	4.85% - 33.0%
Residual development method	Price per acre/ development margin	£0.45m per acre, 15.0% - 20.0%
Residual development method	Estimated profit margin	15.0% - 20.0%

More information relating to valuation methodology is contained within the Group's financial statements as at 28th February 2014.

The fair value of the following financial assets and liabilities approximate to their fair value:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Borrowing costs

2. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into three operating divisions, whose principal activities are as follows:

Investment	– management of the Group's investment property portfolio, generating rental income and valuation surpluses from property management;
Development and trading	– managing the Group's development and trading properties. Revenue is received from project management fees, development profits and the disposal of inventory; and
Operating	– serviced office operations. Revenue is principally received from short-term licence fee income.

These divisions are the basis on which the Group reports its primary segmental information. All operations occur and all assets are located in the United Kingdom. All revenue arises from continuing operations.

	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
				Six months to 31st August 2014 (unaudited)
Segment revenue	**6.2**	**84.0**	**2.2**	**92.4**
Direct costs	**(1.3)**	**(67.3)**	**(2.6)**	**(71.2)**
Segment result	**4.9**	**16.7**	**(0.4)**	**21.2**
Operating costs	**(2.5)**	**(4.7)**	**–**	**(7.2)**
Gain on disposal of investment properties	**0.8**	**–**	**–**	**0.8**
Gain on revaluation of investment property portfolio	**4.1**	**–**	**0.1**	**4.2**
Operating profit/(loss)	**7.3**	**12.0**	**(0.3)**	**19.0**
Exceptional item - Acquisition costs associated with business combination	**–**	**(2.7)**	**–**	**(2.7)**
Share of post-tax profits of joint ventures	**0.6**	**0.7**	**–**	**1.3**
Profit on sale of joint venture	**–**	**0.5**	**–**	**0.5**
Loss from sale of investment	**–**	**(0.1)**	**–**	**(0.1)**
Profit/(loss) before interest and income tax	**7.9**	**10.4**	**(0.3)**	**18.0**
Finance income	**1.5**	**2.1**	**–**	**3.6**
Finance costs	**(2.5)**	**(3.8)**	**–**	**(6.3)**
Exceptional item - Termination of cross currency interest rate swap	**(3.2)**	**(4.7)**	**–**	**(7.9)**
Profit/(loss) before income tax	**3.7**	**4.0**	**(0.3)**	**7.4**
Income tax				**0.9**
Profit after income tax				**8.3**
Assets and liabilities				
Segment assets	**209.1**	**360.7**	**4.5**	**574.3**
Unallocated assets				**43.0**
Total assets				**617.3**
Segment liabilities	**(132.6)**	**(134.8)**	**(3.5)**	**(270.9)**
Unallocated liabilities				**(10.8)**
Total liabilities				**(281.7)**
Revenue				
Rental income	**6.2**	**2.4**	**–**	**8.6**
Serviced office income	**–**	**–**	**2.2**	**2.2**
Project management fees	**–**	**0.5**	**–**	**0.5**
Trading property sales	**–**	**21.3**	**–**	**21.3**
Other trading property income	**–**	**1.5**	**–**	**1.5**
Development proceeds	**–**	**58.3**	**–**	**58.3**
	6.2	**84.0**	**2.2**	**92.4**

	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
				Six months to 31st August 2013 (unaudited)
Segment revenue	7.7	22.8	2.0	32.5
Direct costs	(1.2)	(11.8)	(2.6)	(15.6)
Segment result	6.5	11.0	(0.6)	16.9
Operating costs	(1.9)	(4.6)	–	(6.5)
Loss on disposal of investment properties	(0.6)	–	–	(0.6)
Loss on revaluation of investment property portfolio	(1.0)	–	–	(1.0)
Operating profit/(loss)	3.0	6.4	(0.6)	8.8
Other income	0.2	0.1	–	0.3
Share of post-tax profits of joint ventures	1.9	2.1	–	4.0
Profit from sale of investment	–	0.1	–	0.1
Profit/(loss) before interest and income tax	5.1	8.7	(0.6)	13.2
Finance income	0.8	0.7	–	1.5
Finance costs	(4.4)	(2.2)	–	(6.6)
Profit/(loss) before income tax	1.5	7.2	(0.6)	8.1
Income tax				(0.9)
Profit after income tax				7.2
Assets and liabilities				
Segment assets	259.4	255.2	4.4	519.0
Unallocated assets				40.4
Total assets				559.4
Segment liabilities	(157.5)	(77.7)	(3.5)	(238.7)
Unallocated liabilities				(8.1)
Total liabilities				(246.8)

Revenue		Six months to 31st August 2013 (unaudited)		
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Rental income	7.7	1.7	–	9.4
Serviced office income	–	–	2.0	2.0
Project management fees	–	0.1	–	0.1
Trading property sales	–	1.5	–	1.5
Other trading property income	–	1.5	–	1.5
Development proceeds	–	18.0	–	18.0
	7.7	22.8	2.0	32.5

		Year ended 28th February 2014 (audited)		
	Investment £ million	Development and trading £ million	Operating £ million	Total £ million
Segment revenue	15.1	60.1	4.1	79.3
Direct costs	(2.7)	(43.7)	(5.1)	(51.5)
Segment result	12.4	16.4	(1.0)	27.8
Operating costs	(4.9)	(9.1)	–	(14.0)
Gain on disposal of investment properties	0.5	–	–	0.5
Gain on revaluation of property portfolio	3.1	–	–	3.1
Operating profit/(loss)	11.1	7.3	(1.0)	17.4
Other income	0.3	0.2	–	0.5
Share of post-tax profits of joint ventures	5.3	7.5	–	12.8
Loss on sale of investment	–	(0.2)	–	(0.2)
Profit/(loss) before interest and income tax	16.7	14.8	(1.0)	30.5
Finance income	1.2	1.3	–	2.5
Finance costs	(7.7)	(5.8)	–	(13.5)
Profit/(loss) before income tax	10.2	10.3	(1.0)	19.5
Income tax				(1.3)
Profit after income tax				18.2
Assets and liabilities				
Segment assets	252.8	292.0	4.6	549.4
Unallocated assets				31.0
Total assets				580.4
Segment liabilities	(168.4)	(81.5)	(3.6)	(253.5)
Unallocated liabilities				(6.6)
Total liabilities				(260.1)
Revenue				
Rental income	15.0	3.7	–	18.7
Serviced office income	–	–	4.1	4.1
Project management fees	–	0.6	–	0.6
Trading property sales	–	20.6	–	20.6
Other trading property income	–	2.8	–	2.8
Construction contract revenue	–	8.0	–	8.0
Development proceeds	–	24.4	–	24.4
Other income	0.1	–	–	0.1
	15.1	60.1	4.1	79.3

3. EXCEPTIONAL ITEMS

	Six months to 31st August 2014 unaudited £ million
Acquisition costs associated with business combination	**2.7**
Termination of cross currency interest rate swap	**7.9**
	10.6

On 19th May 2014, the Group acquired 100 per cent of the issued shares in Cathedral Group Holdings Limited and certain other group entities (Cathedral), a property development group specialising in mixed-use regeneration schemes in the South East. Costs relating to this acquisition of £2.7 million have been charged to profit and loss.

On 31st March 2014, €47.0 million of loan notes were cancelled and reissued under new terms. As a result the associated cross currency interest rate swap was also cancelled and new hedging put in place. The swap was accounted for as a cash flow hedge and marked-to-market at each reporting date. The mark-to-market movement of the interest rate leg of the swap was charged to unrealised gain/(loss) reserve in equity. On cancellation of the swap the actual loss of £7.9 million was recycled through profit and loss with the corresponding unrealised gain of £7.6 million crystallising. The overall impact on net assets attributable to shareholders is a cost of £0.3 million in the period.

4. FINANCE INCOME AND COSTS

	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 audited £ million
Finance income			
Interest receivable	**0.7**	0.7	1.4
Other finance income	**1.0**	0.1	0.2
Fair value gain on financial instruments – interest rate swaps, caps and collars	**0.5**	0.7	0.9
Exchange gains on cash and cash equivalents	**1.4**	–	–
Total finance income	**3.6**	1.5	2.5
Finance costs			
Interest on bank loans and other borrowings	**(5.9)**	(5.1)	(10.4)
Interest on debenture	**(1.1)**	(1.1)	(2.2)
Amortisation of transaction costs	**(0.1)**	(0.3)	(0.6)
Provision: unwinding of discount	**–**	–	(0.1)
Net foreign currency differences arising on retranslation of cash and cash equivalents	**–**	(0.1)	(0.3)
	(7.1)	(6.6)	(13.6)
Capitalised interest on development and trading properties	**0.8**	–	0.1
Total finance costs	**(6.3)**	(6.6)	(13.5)
Net finance costs	**(2.7)**	(5.1)	(11.0)

In addition the Group recorded a gain of £7.6 million (31st August 2013: gain of £2.2 million and 28th February 2014: gain of £1.8 million) in respect of a cross-currency interest rate swap. The swap was cancelled in March 2014. This amount is reported in Other comprehensive income in the period.

5. INCOME TAX

Income tax (credit)/charge is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 28th February 2015 is 21.2 per cent (the estimated tax rate for the six months ended 31st August 2013 was 23.2 per cent).

	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 audited £ million
Current tax charge	**0.3**	0.7	1.1
Deferred tax (credit)/charge	**(1.2)**	0.2	0.2
Total income tax	**(0.9)**	0.9	1.3

A £2.4 million deferred income tax charge (31st August 2013: £0.5 million charge, 28th February 2014: £0.4 million charge) has been recognised directly in reserves in respect of the termination of the cross-currency interest rate swap.

6. DIVIDENDS

	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 audited £ million
Amounts recognised as distributions to equity holders in the period	**4.0**	2.9	5.8
Proposed dividend	**3.0**	2.9	3.9
	Pence	Pence	Pence
Interim dividend per share	**2.40**	2.40	2.40
Final dividend per share	–	–	3.20

The final dividend of £4.0 million for the year to 28th February 2014 was paid on 22nd August 2014.

An interim dividend was declared by the Board on 21st October 2014 and has not been included as a liability or deducted from retained earnings as at 31st August 2014. The interim dividend is payable on 27th November 2014 to Ordinary shareholders on the register at the close of business on 31st October 2014. The interim dividend in respect of the six month period to 31st August 2014 will be recorded in the financial statements for the year ending 28th February 2015.

7. EARNINGS PER SHARE AND NET ASSETS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) adjusted net assets per share and earnings per share from continuing activities in order to provide an indication of the Group's underlying business performance and to assist comparison between European property companies.

The calculation of basic and diluted earnings per share and EPRA adjusted earnings per share is based on the following data:

	Six months to 31st August 2014 unaudited	Six months to 31st August 2013 unaudited	Year ended 28th February 2014 audited
Profit			
Profit for the purposes of basic and diluted earnings per share (£ million)	**8.2**	7.2	18.2
Revaluation surplus (including share of joint venture revaluation surplus)	**(5.3)**	(0.5)	(4.8)
(Gain)/loss on disposal of investment properties	**(0.8)**	0.6	(0.5)
Gain on disposal of trading properties	**(4.5)**	(0.3)	(2.5)
Impairment of development and trading properties	**0.2**	–	0.2
Mark-to-market adjustment on interest rate swaps, caps and collars (including share of joint venture mark-to-market adjustment)	**7.4**	(0.8)	(1.1)
Acquisition costs in relation to business combination	**2.7**	–	–
EPRA adjusted earnings from continuing activities attributable to owners of the Company	**7.9**	6.2	9.5
Number of shares (million)			
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**123.7**	122.4	122.2
Effect of dilutive potential Ordinary shares:			
– Share options	**–**	–	0.1
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	**123.7**	122.4	122.3
Basic earnings per share (pence)	**6.7p**	5.9p	14.9p
Diluted earnings per share (pence)	**6.7p**	5.9p	14.9p
EPRA adjusted earnings per share (pence)	**6.5p**	5.1p	7.8p
EPRA adjusted diluted earnings per share (pence)	**6.5p**	5.1p	7.8p

Basic and diluted net assets per share and EPRA adjusted basic, diluted and triple net assets per share have been calculated as follows:

	Six months to 31st August 2014 unaudited	Six months to 31st August 2013 unaudited	Year ended 28th February 2014 audited
Net assets (£ million):			
Basic net assets per share attributable to the owners	**335.5**	312.6	320.3
Cumulative mark-to-market adjustment on interest rate swaps	**(0.1)**	7.9	8.0
EPRA adjusted net assets	**335.4**	320.5	328.3
Cumulative mark-to-market adjustment on interest rate swaps	**0.1**	(7.9)	(8.0)
Fair value of debt	**(11.6)**	(4.7)	(4.2)
EPRA adjusted triple net assets	**323.9**	307.9	316.1
Effect of dilutive potential Ordinary shares	**0.5**	0.5	0.5
Diluted net assets	**336.0**	313.1	320.8
EPRA adjusted diluted net assets	**335.9**	321.0	328.8
EPRA adjusted diluted triple net assets	**324.4**	308.4	316.6
Number of shares (million):			
Number of shares in issue at the balance sheet date	**124.8**	122.4	122.2
Effect of dilutive potential Ordinary shares	**0.1**	0.2	0.2
Diluted number of shares in issue at the balance sheet date	**124.9**	122.6	122.4
Basic net assets per share (pence)	**269p**	255p	262p
Diluted net assets per share (pence)	**269p**	255p	262p
EPRA adjusted net assets per share (pence)	**269p**	262p	269p
EPRA adjusted diluted net assets per share (pence)	**269p**	262p	269p
EPRA adjusted triple net assets per share (pence)	**260p**	252p	259p
EPRA diluted triple net assets per share (pence)	**260p**	252p	259p

In calculating EPRA adjusted triple net assets per share the Directors have not included an estimate of the fair value of the development and trading portfolio given the uncertainty of the timing and amount related to future sales.

8. INVESTMENT PROPERTIES

	Freehold £ million	Long leasehold £ million	Total £ million
At valuation 1st March 2013	211.9	8.2	220.1
Additions:			
– capital expenditure	0.3	–	0.3
Disposals	(11.4)	–	(11.4)
Deficit on revaluation	(1.0)	–	(1.0)
At valuation 31st August 2013	199.8	8.2	208.0
Additions:			
– acquisitions	9.5	–	9.5
– capital expenditure	1.6	0.3	1.9
Disposals	(21.4)	–	(21.4)
Surplus/(deficit) on revaluation	4.2	(0.1)	4.1
Transfer to investment properties held for sale	(42.4)	–	(42.4)
At valuation 28th February 2014	151.3	8.4	159.7
Additions:			
– acquisitions	7.7	17.2	24.9
– capital expenditure	0.6	0.2	0.8
Disposals	(5.3)	–	(5.3)
Surplus on revaluation	3.8	0.3	4.1
At valuation 31st August 2014	**158.1**	**26.1**	**184.2**

The Group's investment properties have been valued at 31st August 2014 by independent valuers and by the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Completed investment properties have been valued by DTZ Debenham Tie Leung, Chartered Surveyors, Ryden LLP, Commercial Property Consultants, GVA Grimley Limited and Savills Commercial Limited, Chartered Surveyors at a value of £148.8 million (31st August 2013: £189.9 million, 28th February 2014: £133.0 million).

Also included within investment properties are freehold land and buildings representing investment properties under development, amounting to £18.2 million (31st August 2013: £18.1 million, 28th February 2014: £17.3 million), which have been valued by the Directors. These properties comprise buildings and land holdings for current or future development as investment properties. This approach has been taken because the value of these properties is dependent on a detailed knowledge of the planning status, the competitive position of these assets and a range of complex project development appraisals.

Investment properties under development include £8.0 million (31st August 2013: £8.2 million, 28th February 2014: £7.2 million) of landholdings adjacent to retail properties within the Group's portfolio, acquired for the purpose of extending the existing shopping centres. The fair value of these properties rests in the planned extensions, and is difficult to estimate pending confirmation of designs and planning permission, and hence has been estimated by the Directors at cost as an approximation to fair value.

Assets totalling £17.2 million were acquired in August 2014 and are carried at cost (31st August 2013: £nil, 28th February 2014: £9.4 million).

£42.4 million of investment properties had been contracted for sale and were therefore reclassified as current assets held for sale as at 28th February 2014.

9. INTANGIBLE ASSETS - GOODWILL

Reconciliation of the carrying amount of goodwill at the beginning and the end of the reporting period:

	£ million
Goodwill	
At 31st August 2013 and 28th February 2014	0.2
Additions	2.0
Goodwill charged to profit and loss on disposal of development asset	(0.2)
At 31st August 2014	**2.0**

On 19th May 2014, the Group acquired 100 per cent of the issued shares in Cathedral Group (Holdings) Limited, Cathedral Special Projects (Holdings) Limited and Cathedral (ESCO) Limited and 95 percent of the shares issued in Deadhare Limited (Cathedral) a property development group specialising in mixed-use regeneration schemes in the South East (refer note 15). The goodwill of £2.0 million represents the unrecognised asset of the highly skilled workforce and specialist development knowledge acquired with Cathedral (see note 15).

10. INVENTORY – DEVELOPMENT AND TRADING PROPERTIES

	Development properties £ million	Trading properties £ million	Total £ million
At 1st March 2013	86.2	67.2	153.4
Additions:			
– acquisitions	1.4	10.4	11.8
– development expenditure	12.4	1.5	13.9
Disposals	(8.6)	(1.0)	(9.6)
At 31st August 2013	91.4	78.1	169.5
Additions:			
– acquisitions	3.4	27.5	30.9
– development expenditure	5.4	7.4	12.8
– transfer from development to trading properties	(7.7)	7.7	–
Disposals	(5.7)	(14.8)	(20.5)
Write-down of trading properties to net realisable value	(0.2)	–	(0.2)
At 28th February 2014	86.6	105.9	192.5
Additions:			
– acquisition of subsidiaries	64.7	–	64.7
– acquisitions	1.0	24.7	25.7
– development expenditure	14.0	1.6	15.6
– transfer from trading to development assets	2.3	(2.3)	–
Disposals	(45.7)	(15.8)	(61.5)
Write-down of trading properties to net realisable value	–	(0.2)	(0.2)
At 31st August 2014	**122.9**	**113.9**	**236.8**

Included in the above amounts are projects stated at net realisable value, being development and trading properties of £42.8 million (31st August 2013: £43.1 million, 28th February 2014: £42.3 million).

11. INVESTMENTS

	Investments in associates £ million	Investments in joint ventures £ million
At 1st March 2013	4.3	40.1
Additions	–	1.5
Share of profit of joint venture	–	2.4
Share of revaluation surplus of joint venture	–	1.5
Share of mark-to-market adjustment on interest rate swaps	–	0.1
Share of results of joint ventures	–	4.0
Capital distribution	–	(0.5)
At 31st August 2013	4.3	45.1
Additions	–	10.6
Share of profit of joint venture	–	8.6
Share of revaluation surplus of joint venture	–	0.2
Share of results of joint ventures	–	8.8
Capital distribution	–	(32.7)
At 28th February 2014	4.3	31.8
Additions	–	10.5
Acquisition of joint venture via business combination	–	4.2
Share of profit of joint venture	–	0.2
Share of revaluation surplus of joint venture	–	1.1
Share of results of joint ventures	–	1.3
Disposals	–	(9.8)
Capital distribution	–	(1.2)
At 31st August 2014	**4.3**	**36.8**

Included within Loans to joint operations of £26.0 million is £7.3 million (31st August 2013: £5.0 million, 28th February 2014: £6.1 million) which represents funding provided to our Curzon Park Limited joint venture.

The joint venture, in which the Group holds a 50 per cent share, acquired a 10.5 acre site, in Birmingham, in November 2006. In March 2010, the Government published a paper outlining the proposed High Speed Rail Link between London and Birmingham (HS2), which indicated that the planned route passes through the site. The Group, together with its joint venture partner, has put on hold plans for development while it awaits the Government's proposals for taking the project forward. The proposed route may restrict development by approximately two-thirds of its original potential. In view of this uncertainty, the Group is seeking advice in order to protect its position.

Should the value of the site, together with any compensation received, be insufficient to repay the bank loan, the Group may incur further charges in respect of its obligations to the joint venture and the bank (refer note 17).

12. BORROWINGS

	31st August 2014 unaudited £ million	31st August 2013 unaudited £ million	28th February 2014 audited £ million
Non – current	**207.5**	197.1	196.4
Current	**14.0**	14.9	24.7
	221.5	212.0	221.1

Movements in loans and borrowings are analysed as follows:

	£ million
At 1st March 2013	206.0
New borrowings drawn down	7.8
Repayment of borrowings	(1.5)
Foreign currency movement of Euro denominated loans	(0.4)
Movement in unamortised transaction costs	0.1
At 31st August 2013	212.0
New borrowings drawn down	12.1
Repayment of borrowings	(1.7)
Foreign currency movement of Euro denominated loans	(1.3)
Movement in unamortised transaction costs	–
At 28th February 2014	221.1
Acquisition of subsidiary loans	23.7
New borrowings drawn down	58.1
Repayment of borrowings	(74.4)
Foreign currency movement of Euro denominated loans (repaid)	(5.9)
Movement in unamortised transaction costs	(1.1)
At 31st August 2014	**221.5**

Bank loans, loan notes and overdrafts comprise:

	Maturity	31st August 2014 unaudited £ million	31st August 2013 unaudited £ million	28th February 2014 audited £ million
£9.0 million variable rate loan	2 Jun 2014	**–**	9.0	9.0
£3.0 million variable rate loan	8 Jul 2014	**3.0**	3.0	3.0
£5.7 million variable rate loan	24 Nov 2014	**–**	5.2	5.1
£1.5 million variable rate loan	24 Nov 2014	**–**	1.4	1.4
£1.0 million variable rate loan	8 Feb 2015	**–**	0.9	0.9
£2.5 million variable rate loan	10 Jul 2015	**–**	2.2	2.4
£6.2 million variable rate loan	12 Jul 2015	**–**	5.6	5.3
£1.6 million variable rate loan	9 Aug 2015	**1.5**	1.5	1.5
£4.5 million variable rate loan	6 Oct 2015	**4.0**	4.2	4.1
£1.5 million variable rate loan	6 Oct 2015	**1.5**	1.5	1.5
£23.0 million variable rate loan	26 Nov 2015	**0.7**	–	–
£10.0 million variable rate loan	20 Dec 2015	**9.6**	6.6	8.0
£7.8 million variable rate loan	30 Dec 2015	**7.8**	–	–
£20.0 million first mortgage debenture	6 Jan 2016	**20.0**	20.0	20.0
£38.0 million variable rate loan	16 Dec 2016	**29.4**	37.9	37.7
£10.5 million variable rate loan	13 Feb 2017	**2.5**	–	10.5
£13.3 million variable rate loan	31 Mar 2018	**10.2**	–	–
£5.5 million variable rate loan	31 Mar 2018	**4.6**	–	–
€24.3 million variable rate loan	1 Aug 2018	**19.3**	–	–
£26.0 million variable rate loan	31 Jan 2019	**0.4**	–	–
€47.0 million variable rate loan notes	25 Mar 2021	**37.3**	–	–
£57.6 million fixed rate loan	12 Mar 2025	**52.9**	54.3	53.6
£22.5 million fixed rate loan	12 Mar 2025	**20.8**	21.4	21.1
€47.0 million variable rate loan notes	25 Oct 2027	**–**	40.1	38.7
		225.5	214.8	223.8
Unamortised transaction costs		**(4.0)**	(2.8)	(2.7)
		221.5	212.0	221.1

The Group remains in compliance with its various banking covenants as at 31st August 2014.

a) Cash balances shown on the Balance sheet at 31st August 2014 include £39.3 million (31st August 2013: £15.9 million, 28th February 2014: £27.3 million) of cash held as security against borrowings.

b) At 31st August 2014, an external valuation, undertaken by J C Rathbone Associates Limited, appraised the market value of the Group's fixed rate debt on a replacement basis, taking into account the difference between fixed interest rates for the Group's borrowings and the market value and prevailing interest rates of appropriate debt instruments. Whilst the replacement basis provides a consistent method for valuation of fixed rate debt, such financing facilities are in place to provide continuing funding for the Group's activities. The valuation is therefore only an indication of a notional effect on the net asset value of the Group as at 31st August 2014 and may be subject to daily fluctuations in line with money market movements.

The fair value compared to the carrying amounts of the Group's fixed rate financial liabilities as at 31st August 2014 is analysed below:

	31st August 2014		31st August 2013		28th February 2014	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
	£ million	£ million	£ million	£ million	£ million	£ million
First Mortgage Debenture 11% due 2016	**20.0**	**22.1**	20.0	23.6	20.0	22.8
Fixed rate term loan due 2025	**52.9**	**60.6**	54.3	61.1	53.6	60.3
Fixed rate term loan due 2025	**20.8**	**22.7**	21.4	22.9	21.1	22.6
	93.7	**105.4**	95.7	107.6	94.7	105.7

The fair value difference of £11.7 million (31st August 2013: £11.9 million, 28th February 2014: £11.0 million) represents approximately 12.4 per cent of gross, fixed rate borrowings (31st August 2013: 12.5 per cent, 28th February 2014: 11.7 per cent). The effect on net assets per share after tax of this adjustment would be a decrease of 7.4 pence after tax (31st August 2013: 7.5 pence, 28th February 2014: 6.9 pence).

A further £83.2 million of borrowings have appropriate swaps or caps in place providing certainty over future interest obligations. These instruments are marked to market at each balance sheet date with any gain or loss reflected in profit or loss.

13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	£ million
At 1st March 2013	3.0
Provisions written back to profit or loss in the period	(0.1)
Utilised during the period	(0.2)
Amortisation of discount	0.1
At 31st August 2013	2.8
Charged to profit or loss in the period	0.5
Utilised during the period	(0.3)
At 28th February 2014	3.0
Charged to profit or loss in the period	0.4
Utilised during the period	(0.6)
At 31st August 2014	**2.8**

	31st August 2014 unaudited £ million	31st August 2013 unaudited £ million	28th February 2014 audited £ million
Analysis of provisions:			
Non-current	**2.4**	2.7	2.8
Current	**0.4**	0.1	0.2
	2.8	2.8	3.0

Provisions relate to properties and to onerous leases where Group companies act as a guarantor. Onerous lease provisions have been calculated by making assumptions about future lettings, the outcome of which is uncertain. These assumptions are reviewed at the end of each period and the provisions adjusted accordingly.

Further information relating to provisions can be found in the Group's financial statements as at 28th February 2014.

14. SHARE CAPITAL

	31st August 2014 unaudited £ million	31st August 2013 unaudited £ million	28th February 2014 audited £ million
Issued, called up and fully paid:			
124,927,620 Ordinary shares of 50 pence (31st August 2013 and 28th February 2014: 122,352,504 Ordinary shares of 50 pence)	**62.5**	61.2	61.2

The Company currently holds 118,792 Treasury shares and has the right to re-issue these shares at a later date. All shares are fully paid.

The Group issued 2,575,116 shares on 14th May 2014, 2.10 per cent of the total ordinary share capital issued, to the majority shareholder of Cathedral Group as part of the purchase consideration of the share capital. The Ordinary shares issues have the same rights as the other shares in issue. The fair value of the shares issued amounted to £6.0 million (£2.335 per share). See note 15.

15. BUSINESS COMBINATIONS

On 19th May 2014, the Group acquired 100 per cent of the issued shares in Cathedral Group (Holdings) Limited, Cathedral Special Projects (Holdings) Limited and Cathedral (ESCO) Limited and 95 percent of the shares issued in Deadhare Limited and certain other group entities (Cathedral Group), a property development group specialising in mixed-use regeneration schemes in the South East.

As at 28th February 2014, the Balance sheet value of the Group's interest in the Cathedral Group was £14.6 million, analysed as Investment in joint venture £9.3 million and Available-for-sale financial assets of £5.3 million.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£ million
Purchase consideration	
- Cash paid	11.0
- Shares	6.0
- Contingent consideration	2.5
- Deferred consideration	3.4
Total consideration transferred	22.9
Fair value of equity interest in joint venture	10.3
Fair value of interest in financial asset	4.8
Total consideration	38.0

Recognised amounts of identifiable assets acquired and liabilities assumed:

	Provisional fair value £ million
Cash and cash equivalents	4.1
Monies held in restricted accounts and deposits	6.5
Inventory – development and trading properties	64.7
Interest in joint ventures	4.1
Trade and other receivables	1.6
Trade and other payables	(21.2)
Borrowings	(20.7)
Net deferred tax liabilities	(3.1)
Total identifiable assets acquired	36.0
Provisional goodwill	2.0
Total consideration	38.0

The goodwill of £2.0 million is attributable to Cathedral Group Holdings Limited's expertise and reputation and expected future profits of development projects that were acquired. None of the goodwill is expected to be deductible for tax purposes.

(a) Acquisition-related costs

Acquisition-related costs of £2.7 million have been charged to exceptional items in the Consolidated income statement for the six months ended 31st August 2014.

(b) Acquired inventory

The fair value adjustments in respect of inventory relate to specific projects that have been independently valued at the date of acquisition. The fair value has been adjusted for project specific risks and uncertainties that may impact the profit level. These adjustments are provisional and are based on management's best estimates.

(c) Contingent consideration

The contingent consideration requirement requires the Group to pay the former owners of Cathedral Group Holdings Limited £2.5 million on securing a named development scheme. The contingent consideration was paid in full in July 2014.

(d) Deferred consideration

£1.2 million of consideration has been deferred for one year and £2.2 million for two years. No performance conditions are associated with payment of this consideration

(e) Revenue and profit contribution

The acquired business contributed revenues of £8.3 million and a net loss of £0.1 million to the Group for the period from 19th May 2014 to 31st August 2014. If the acquisition had occurred on 1st March 2014, consolidated revenue and consolidated loss for the six months ended 31st August 2014 would have been £16.5 million and £1.2 million respectively.

16. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 31st August 2014 unaudited £ million	Six months to 31st August 2013 unaudited £ million	Year ended 28th February 2014 audited £ million
Profit before income tax	**7.4**	8.1	19.5
Adjustments for:			
(Gain)/loss on disposal of investment properties	**(0.8)**	0.6	(0.5)
Net (surplus)/loss on revaluation of property portfolio	**(4.2)**	1.0	(3.1)
Other income	**(0.2)**	(0.4)	(0.5)
Acquisition costs associated with business combination	**2.7**	–	–
Share of post-tax profits of joint ventures and associates	**(1.3)**	(4.0)	(12.8)
Profit on sale of joint venture	**(0.5)**	–	–
Income from financial assets	**–**	–	0.2
Finance income	**(3.6)**	(1.5)	(2.5)
Finance costs	**6.3**	6.6	13.5
Termination of cross currency interest rate swap	**7.9**	–	–
Depreciation of property, plant and equipment	**0.4**	0.4	0.7
Disposal of goodwill	**0.2**	–	–
Operating cash flows before movements in working capital	**14.3**	10.8	14.5
Decrease/(increase) in development and trading properties	**21.2**	(16.1)	(38.9)
Increase in receivables	**(2.6)**	(6.1)	(16.0)
(Decrease)/increase in payables	**(5.4)**	3.2	7.9
Decrease in provisions	**(0.2)**	(0.2)	–
Cash flow from operating activities	**27.3**	(8.4)	(32.5)

17. CONTINGENT LIABILITIES

Performance bonds given on behalf of Group companies are guaranteed by banks in favour of third parties for a total of £10.1 million (31st August 2013: £4.7 million, 28th February 2014: £4.7 million). The performance of obligations under various leases guaranteed by Group companies amount to £0.3 million per annum (31st August 2013: £0.3 million, 28th February 2014: £0.3 million).

The Group has guaranteed its share of the capital and interest payable by Curzon Park Limited, a joint venture, in respect of the company's borrowings of £6.4 million (refer note 11).

The Group has also guaranteed its share of interest up to a maximum of £0.6 million in respect of the £26.0 million loan in Notting Hill Gate KCS Limited.

18. RELATED PARTIES

During the period, the Group entered into transactions, in the ordinary course of business, with related parties.

Transactions entered into and balances outstanding at 31st August 2014, 31st August 2013 and 28th February 2014 with related parties are set out below. Only Directors are considered to be key management personnel. There were no transactions with Directors other than remuneration. Details of remuneration for the year ended 28th February 2014 are set out in the Remuneration report on pages 66 to 83 of the 2014 Annual Report.

	Finance income from related parties £ million	Amounts owed by related parties £ million
Joint ventures		
31st August 2014	**0.4**	**24.7**
31st August 2013	1.4	29.2
28th February 2014	2.4	32.7
Associates		
31st August 2014	**0.6**	**21.9**
31st August 2013	0.4	16.9
28th February 2014	0.8	20.6

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Details of the interim dividend proposed are given in note 6.

In September 2014, the Group acquired an investment asset in Kent for £2.2 million.

In October 2014, the Group completed the sale of a trading and development asset for £12.3 million. The profit on sale will be recorded in the financial statements for year ended 28th February 2014.

20. GLOSSARY

Operating profit: stated after (loss)/gain on disposal of investment properties and the revaluation of the Investment property portfolio and before the results of associates, jointly controlled entities and finance income and costs.

IPD Index and Total Portfolio Return: total return from the completed investment property portfolio, comprising net rental income or expenditure, capital gains or losses from disposals and revaluation surpluses or deficits, divided by the average capital employed during the financial period, as defined and measured by Investment Property Databank Limited, a company that produces independent benchmarks of property returns.

Total Shareholder Return: movement in share price over the period plus dividends paid as a percentage of the opening share price.

Net debt: total debt less cash and short-term deposits, including cash held in restricted accounts.

Gearing: expressed as a percentage, is measured as net debt divided by total shareholders' funds.

Adjusted gearing: expressed as a percentage, is calculated by deducting from net debt the current fair value of the subordinated loan notes and adding back relevant restricted cash balances and transaction costs.

Loan to value gearing: expressed as a percentage of net debt as a proportion of total property assets, including shares of properties and net debt in all projects in partnership.

Basic earnings/(loss) per share: calculated by dividing the profit/(loss) for the period attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the period.

Diluted earnings/(loss) per share: calculated by dividing the profit/(loss) attributable to equity shareholders of the Parent by the weighted average number of Ordinary shares outstanding during the period plus the weighted average number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

Basic net assets per share: calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date.

Diluted net assets per share: calculated by dividing net assets by the number of Ordinary shares in issue at the balance sheet date plus the number of Ordinary shares that would be issued on the conversion of all the dilutive potential Ordinary shares into Ordinary shares.

EPRA: European Public Real Estate Association.

EPRA adjusted earnings: profit after taxation excluding investment property revaluations (including revaluations of joint venture investment properties), (losses)/gains on disposals of investment and trading properties, impairment of development and trading properties and mark-to-market movements of derivative financial instruments (including those of joint ventures) and intangible asset movements and their related taxation.

EPRA adjusted net assets (EPRA NAV): Balance Sheet net assets excluding the mark-to-market adjustment on effective cash flow hedges and related debt adjustments and deferred taxation on revaluations, and diluting for the effect of those shares potentially issuable under employee share schemes.

EPRA NAV per share: EPRA NAV divided by the number of Ordinary shares at the balance sheet date.

EPRA adjusted triple net assets: EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

Dividends per share: expressed as an amount in pence per share, is defined as the total dividend declared by the Directors divided by the number of equity shares qualifying for such dividend.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that these condensed Consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months any material changes in the related-party transactions described in the last Annual Report;

The Directors of Development Securities PLC are listed in the Development Securities PLC Annual Report of 28th February 2014. A list of the current Directors is maintained on the Development Securities PLC website: www.developmentsecurities.com.

The maintenance and integrity of the Development Securities PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

M H Marx
Chief Executive
22nd October 2014

INDEPENDENT REVIEW REPORT TO DEVELOPMENT SECURITIES PLC

Report on the condensed Consolidated financial statements

Our conclusion

We have reviewed the condensed Consolidated financial statements, defined below, in the half-yearly financial report of Development Securities PLC for the six months ended 31st August 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed Consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed Consolidated financial statements, which are prepared by Development Securities PLC, comprise:

- the Consolidated balance sheet as at 31st August 2014;
- the Consolidated statement of comprehensive income for the period then ended;
- the Consolidated cash flow statement for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial information.

As disclosed in note 1b, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed Consolidated financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of Condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

Responsibilities for the condensed Consolidated financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the condensed Consolidated financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the condensed Consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
22nd October 2014
London